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National Tea Co.

ANNUAL REPORT

For the Year Ending
December 31, 1925

Chicago, Ill., March 3rd, 1926

1000 CROSBY STREET, CHICAGO, ILL.

March 3rd, 1926.

To the Stockholders of the National Tea Co.

I beg to present the financial accounts of your Company for the year 1925. Reference to the Income and Surplus Account will show the net profits after deducting Federal Taxes to be $1,569,636.04 as compared wth $1,472,992.83 for the year 1924.

The Company continued its expansion program during 1925 by adding 163 new stores which brought the total in operation at December 31, 1925, to 761 stores as compared with 598 at December 31, 1924. Since 104 stores of this increase were opened in the last half of 1925 the earning power of same was not felt in that year but should greatly add to the profits of 1926 and subsequent years.

The sales for the year 1925 were $47,450,885.28 being an increase of 21½% over 1924. I am pleased to report our sales for January 1926 were $615,868.46 more than January 1925.

On November 2nd, 1925, the old $1,300,000.00 7% Cumulative Preferred Stock was retired and a new 6½% Preferred Stock of $5,000,000.00 was authorized. Of the authorized amount $3,500,000.00 was issued of which $250,000.00 is held in the Treasury.

The larger territory opened for its operation, the refinancing accomplished last year and the strengthening of our organization greatly increases the prospect of continued prosperity for your Company.

Yours very truly,

GEO. RASMUSSEN, President.

BALANCE SHEET, DECEMBER 31, 1925

ASSETS

PROPERTIES (at cost less depreciation)—			
Land and Buildings		$2,955,489.09	
Machinery, Fixtures and Equipment		1,714,738.18	
Delivery Equipment		305,727.62	$ 4,975,954.89
GOODWILL			2,079,022.05
CURRENT ASSETS—			
Inventories of Merchandise and Supplies on Hand and in Transit at cost or market whichever lower	$6,171,610.36		
Accounts and Notes Receivable Less Reserve for Bad Debts		248,398.55	
Mortgages Receivable (Due 1926)		40,520.00	
Cash on Hand and in Banks		661,192.36	
Total Current Assets			7,121,721.27
*INVESTMENT AND ADVANCES—			
To National Tea Company, Minneapolis			110,000.00
MORTGAGES RECEIVABLE—			
Due Subsequent to 1926			17,380.00
DEFERRED CHARGES—			
Advanced Premiums to Customers—			
Less Reserve	$ 57,754.57		
Reorganization Expense, Prepaid Taxes, Insurance, etc.	404,904.62		462,659.19
			$14,766,737.40

LIABILITIES

PURCHASE MONEY OBLIGATIONS—			
Due subsequent to 1926			$ 893,875.00
CURRENT LIABILITIES—			
Notes Payable		$ 160,000.00	
Purchase Money Obligations—Due 1926		101,250.00	
Commercial Letters of Credit (Secured by Trust Receipts and Coffee in Transit)		623,321.07	
Accounts Payable—			
Trade	$1,259,071.72		
Payroll and Commissions	152,117.81		
Interest and Taxes	143,129.37		
Employees Deposits	11,333.63		
Dividends Accrued	185,208.33		
Provision for Federal Taxes— Estimated	235,301.86	1,986,162.72	
Total Current Liabilities			$2,870,733.79
CONTINGENT RESERVE—			45,918.00
PREFERRED STOCK 6½ PER CENT CUMULATIVE—			
Authorized 50,000 Shares of $100.00 each	$5,000,000.00		
Issued 35,000 Shares of $100.00 each	3,500,000.00		
Less Held in Treasury 2,500 Shares	250,000.00		$3,250,000.00
COMMON STOCK—			
Authorized and Issued 150,000 shares of no par value			1,537,139.20
SURPLUS			6,169,071.41
CONTINGENT LIABILITY—			
In respect of Federal Taxes in Dispute		$ 75,000.00	
			$14,766,737.40

*Accrued Earnings on the Investment in the National Tea Company, Minneapolis, have not been included in Income and Surplus Account.

(Continued on the following page)

INCOME AND SURPLUS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1925

Sales			$47,450,885.28
Net Operating Profit			$ 1,804,474.09
Estimated Federal Taxes			234,838.05
Net Profit after deducting Federal Taxes			$ 1,569,636.04
Less Dividends—			
Common		$450,000.00	
Preferred		111,030.00	561,030.00
Balance Transferred to Surplus			$ 1,008,606.04
Surplus January 1, 1925			
Earned		$3,767,656.17	
Capital		2,000,000.00	
		$5,767,656.17	
Less Unamortised Expense on 7% Preferred Stock Redeemed	$107,190.80		
Transferred to Common Capital Account in connection with exchange of 3 shares for 1 share, December 15, 1925	500,000.00	607,190.80	5,160,465.37
Surplus as per Balance Sheet			$ 6,169,071.41

We have examined the books and records of the National Tea Co. and its subsidiaries for the year ending December 31, 1925, and we certify that, in our opinion, the above Consolidated Balance Sheet and relative Income and Surplus Account correctly set forth the financial condition of the Company as at December 31, 1925, and the results from operation for the year to that date and that they are in accordance with the books. The inventories of merchandise have been taken and valued by the Company's officials at cost or market price, whichever was lower.

ARTHUR YOUNG & COMPANY
Certified Public Accountants

March 1st, 1926.